

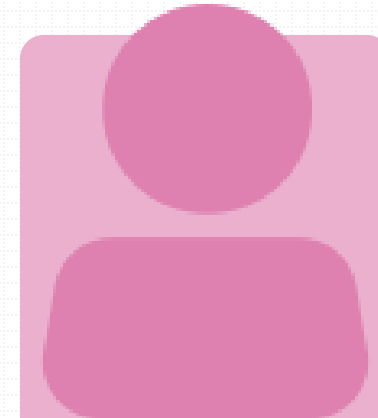
# SESSION 4

## The Day-to-Day Management of a Public Investment Portfolio



Robert Hannay

*Treasury Manager  
East Bay Municipal Utility District*



R.C. Kinzly

*Investment Officer of San Diego  
County Pooled Funds  
San Diego County*



Laura Parisi

*City Treasurer  
City of Laguna Beach*

# Should Your City's Investment Program be Managed Internally or Outsourced to an Investment Advisor?

## Managed Internally

- Cash flows and targeted investments are easily customized.
- Directly responsible to the public. No middleman.
- Lower contingency is likely. More investable funds.
- No consultant fees.
- Local spending of City funds.
- Ongoing continuing education is good public policy.
- Multiple broker/dealers and their firms provide varieties of specialities, advice, reports and systems. Multiple bids, checks and balances.

## Registered Investment Advisor

- Experienced with many municipalities.
- Middleman may buffer responsibility.
- Likely has direct access to the more expensive market systems like Bloomberg than a small or mid-sized city.
- Removed from political opponents and public input.
- The advisor has a fiduciary responsibility.

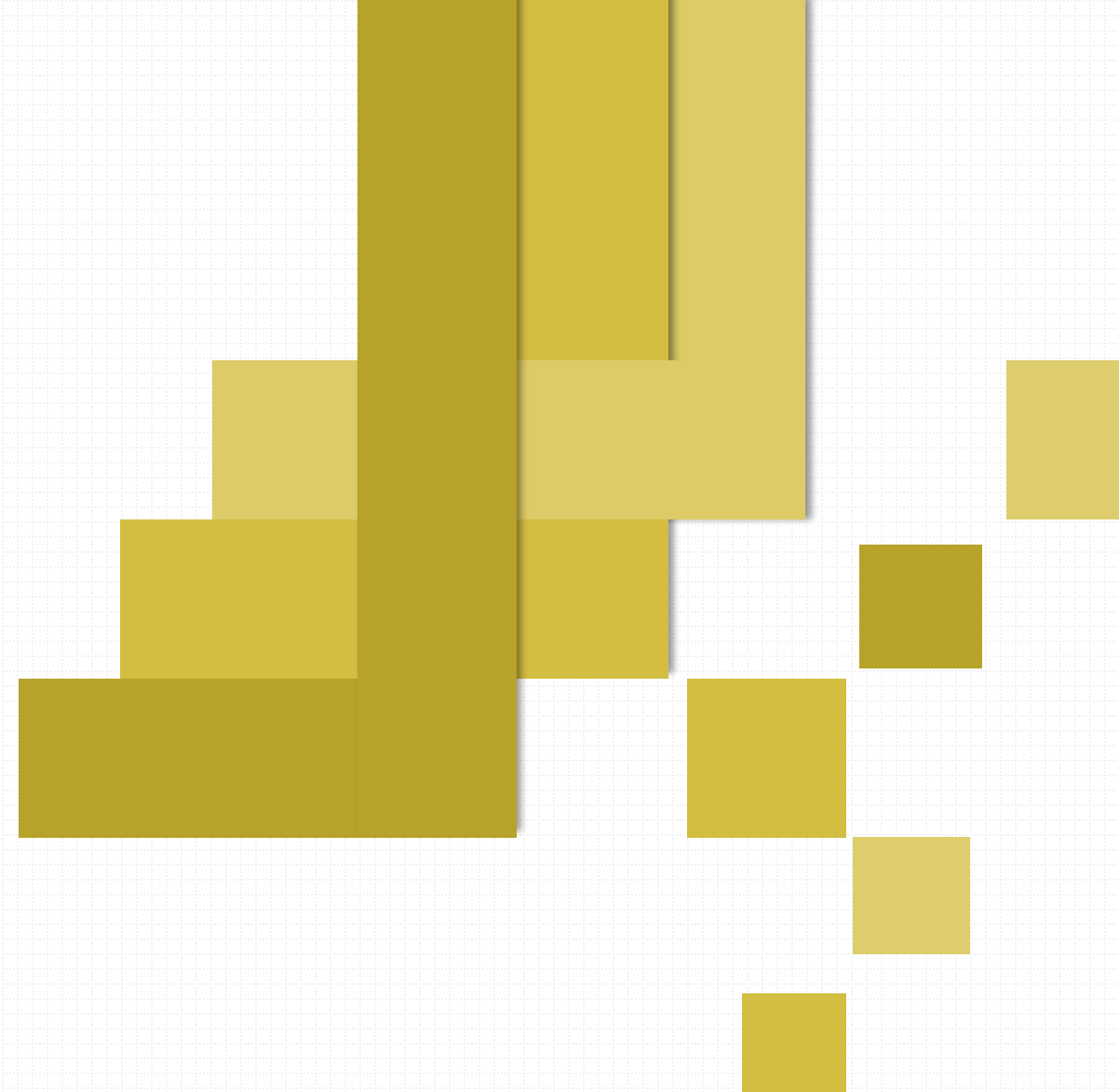
# You Know Your Entity Better Than a Third Party



- Municipal investment education through professional organizations are tailored to public funds investment.
- Industry standard – get to know your peers.
- Municipal investment professional organizations for California – CDIAC, CMTA, APT US&C.
- Investment marketplace is public.
- Community investment – dollars benefit your City.
- Likely very cost effective, directly responsible and responsive.
- Brokers are authorized. Number based on portfolio size and individuals based on expertise, specialties, reputation, systems and investment access. Annual review of licenses and firm financial statements is performed.

# Reasons to Consider a Registered Investment Advisor

- Lack of internal expertise, inadequate commitment to training/continuing education.
- Inadequate staffing or qualified candidates.
- Lack of access to market information systems like Bloomberg.
- Political environment.





# Political Environment Caution From the 2019 San Bernardino County Grand Jury – City of Upland

- City's management personnel altered monthly Treasury Reports preventing fiduciary reporting by the City Treasurer.
- City management denied the request for the appointment of a Deputy Treasurer without statutory authority.
- The oversight Finance Committee was confused about their responsibilities.
- Prevention: Segregation of Duties Provided by an Elected City Treasurer.
- ***The Civil Grand Jury found that most actions mentioned in this report may not violate the law. The Civil Grand Jury does, however, view these practices as deceptive. These actions also demonstrate a lack of proper government practices and transparency to the citizens of Upland.***

# Laguna Beach's approach to investing locally

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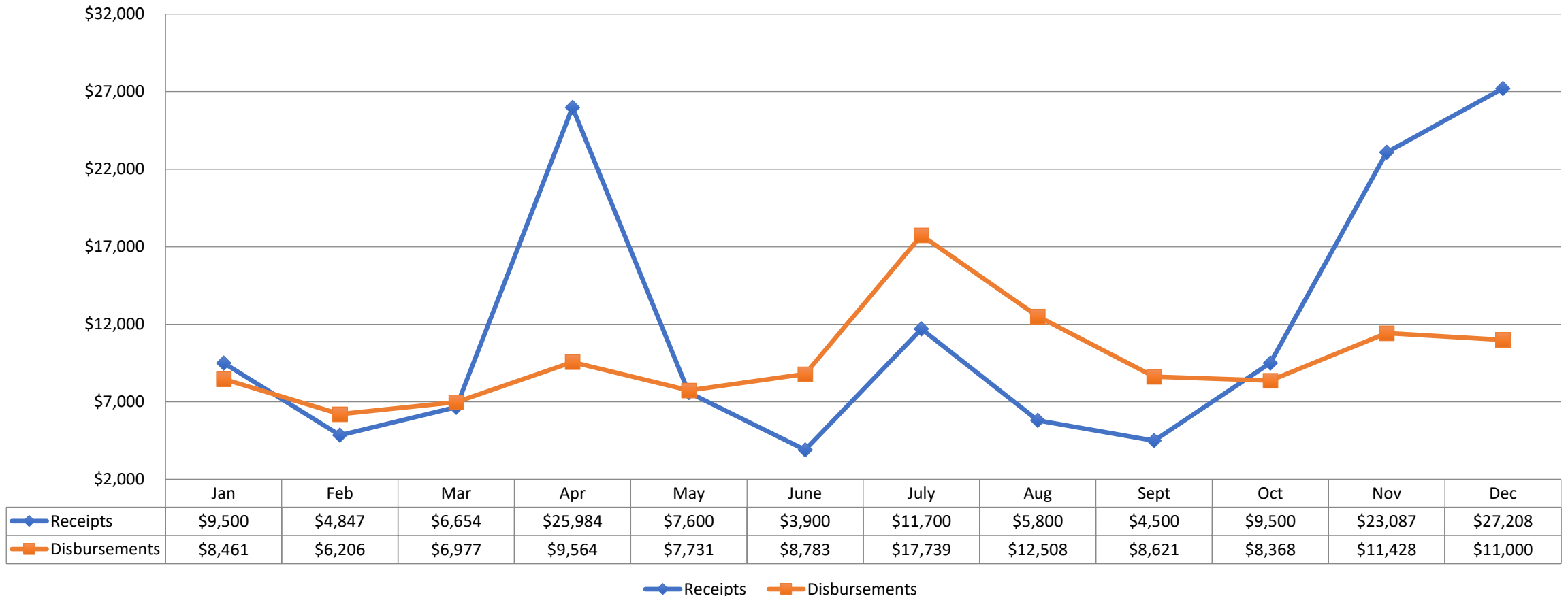
## Prepare a comprehensive Investment Policy

- Model policies from CMTA and the Association of Public Treasurers were examined the tailored to the community based on input from the public, investment review committee, city manager, outside audit firm and in-house legal counsel.
- Annually updated, time for public comment, reviewed by the Investment Advisory Committee, and possibly City Attorney and outside auditors then approval at a public meeting by City Council.
- Submitted to CMTA or APT US & C for certification.
- Compliance with policy is examined by independent audit firm.

# Cash Flow Forecasts are Critical! They are Monitored Daily

## Cash Flow Forecast 2024

(in thousands)





**Daily Working Paper:** Format will depend on the agency operations under management, size and complexity.

Receipts include all cash based on cashiers and on-line banking.

Disbursements include payroll, warrants, debt service, capital projects and will not necessarily always fit in the parameters of an annual budget because of multi-year projects, reserves, land acquisitions.

In-house management includes local pool balance tracking, significant bond accounts and marketable investments. In-house investing and contingency considerations for short-term funds.

(This is a working paper only that is used to track daily cash and monitor cash flow before the official records of the City or outside statements are available and will not equal or replace the official City records.)																
General Account										Investments						
Date	Warrants		Deposits		Total	Adjustment	Transfers In/(Out)	Bal Per Phone	Ending % of total: LAIF Deposit/ (Withdrawal)	1.99%	LAIF	Bond Proceeds 09-1, 13-6, 15-2	Lease Proceeds US Bank Escrow	27.75%	70.23%	100.00%
	Payroll	General	Adj County/State	Other	Deposits					LAIF	Other			Long-term	Total Mktble Investments	
Opening Bal.								1,798,429								
1			53,173	1,283,932	1,337,105	(927,130)		2,208,404	897,635	0	5,704,508	28,035	0	37,212,049	105,174,078	148,118,670
2	1,623,760			1,697,366	1,697,366	(1,500,000)	400,000	1,182,009	1,469,027	(400,000)	5,304,508	28,035	0	38,465,369	103,920,758	147,718,670
3					0			1,182,009			5,304,508	28,035	0	38,465,369	103,920,758	147,718,670
4					0			1,182,009			5,304,508	28,035	0	38,465,369	103,920,758	147,718,670
5					0			1,182,009			5,304,508	28,035	0	38,465,369	103,920,758	147,718,670
6			39,885	7,046	46,931	(1,100,000)	400,000	528,940	137,368	(400,000)	4,904,508	28,035	0	38,465,369	103,920,758	147,318,670
7				258,686	258,686			787,626	978,502		4,904,508	28,035	0	38,465,369	103,920,758	147,318,670
8		43,610		15,229	15,229			759,245	1,072,521		4,904,508	28,035	0	38,465,369	103,920,758	147,318,670
9		3,715,440	7,544,094	27,296	7,571,390		(4,460,000)	155,195	8,616,303	4,460,000	9,364,508	28,035	0	38,465,369	103,920,758	151,778,670
10				0	0			155,195			9,364,508	28,035	0	38,465,369	103,920,758	151,778,670
11					0			155,195			9,364,508	28,035	0	38,465,369	103,920,758	151,778,670
12					0			155,195			9,364,508	28,035	0	38,715,369	103,670,758	151,778,670
13			0	41,649	41,649	400,000	(140,000)	456,844	3,546,506	140,000	9,504,508	28,035	0	38,715,369	103,670,758	151,918,670
14				291,982	291,982			748,826	3,329,149	(2,989,000)	6,515,508	28,035	0	41,715,369	103,670,758	151,929,670
15				8,693	8,693			757,519		(250,000)	6,265,508	28,035	0	41,965,369	103,670,758	151,929,670
16	1,623,984			21,794	21,794			476,329	3,096,070	(1,321,000)	4,944,508	28,035	0	41,965,369	103,670,758	150,608,670
17					0			476,329			4,944,508	28,035	0	41,965,369	103,670,758	150,608,670
18					0			476,329			4,944,508	28,035	0	41,965,369	103,670,758	150,608,670
19					0			476,329			4,944,508	28,035	0	41,965,369	103,670,758	150,608,670
20			168,871	89,660	258,531			734,860	1,089,129		4,944,508	28,035	0	41,965,369	103,670,758	150,608,670
21				8,253,552	8,253,552	(8,206,023)		782,389	1,232,481		4,944,508	28,035	0	41,965,369	103,670,758	150,608,670
22		2,966,860		0	0		2,000,000	(184,471)	1,341,587	(2,000,000)	2,944,508	28,035	0	41,965,369	103,670,758	148,608,670
23					0			(184,471)	Holiday		2,944,508	28,035	0	41,965,369	103,670,758	148,608,670
24					0		1,000,000	815,529			2,944,508	28,035	0	40,965,369	103,670,758	147,608,670
25					0			815,529			2,944,508	28,035	0	40,965,369	103,670,758	147,608,670
26					0			815,529			2,944,508	28,035	0	40,965,369	103,670,758	147,608,670
27			620,412	358,924	979,336		143,210	1,938,075	4,071,292		2,944,508	28,035	0	40,965,369	103,670,758	147,608,670
28				219,050	219,050			2,157,125	3,265,641		2,944,508	28,035	0	40,965,369	103,670,758	147,608,670
29				869,452	869,452	(789,283)		2,237,293	3,161,969		2,944,508	28,035	0	40,965,369	103,670,758	147,608,670
30	1,600,000			0	0			637,293			2,944,508	28,035	0	40,965,369	103,670,758	147,608,670
31					0			637,293			2,944,508	28,035	0	40,965,369	103,670,758	147,608,670

# Reporting, Compliance with Policy and Accounting

Format was agreed upon with Investment Advisory Committee, City Manager and staff but documented in the Investment Policy.

Custodian statement is also provided monthly.

Monthly reporting may be expanded quarterly with charts.

**Cash Activity for the Month**

Cash and investments, beginning of month	\$	157,011,472.17
Cash receipts		4,387,222.69
Cash disbursements		<u>(13,517,079.68)</u>
<b>Cash and investments, end of month</b>	<b>\$</b>	<b><u>147,881,615.18</u></b>

**Cash and Investment Portfolio at Month-End**

	Current Year				Prior Year
	Fair Value	Cost	Pct. of Total	Avg. Return	Cost
<b>Long-term marketable securities</b>					
Federal agency securities	\$ 76,996,532.00	\$ 84,843,240.00	57%	1.22%	\$ 83,841,280.00
Medium-term corporate notes	8,188,401.80	8,895,488.20	6%	1.63%	14,015,183.35
Certificates of Deposit - Insured	5,455,670.00	5,750,000.00	4%	2.47%	5,500,000.00
Municipal bonds	6,065,543.55	6,578,089.35	4%	1.32%	8,809,306.85
Supranational security	<u>1,810,190.00</u>	<u>1,998,870.00</u>	1%	0.64%	<u>1,998,870.00</u>
Subtotal	<u>98,516,337.35</u>	<u>108,065,687.55</u>	73%	1.32%	<u>114,164,640.20</u>
<b>Short-term marketable securities</b>					
State Local Agency Investment Fund (LAIF)	4,973,016.92	4,973,016.92	3%	3.53%	7,907,307.60
Federal securities	18,237,775.00	18,316,659.15	12%	4.46%	-
Medium-term corporate notes & Commercial Paper	5,970,199.80	6,109,295.15	4%	2.55%	1,982,141.39
Municipal bonds	2,209,550.00	2,231,217.50	2%	0.58%	-
Certificates of Deposit - Insured	4,700,845.90	4,745,000.00	3%	4.22%	2,500,000.00
Supranational security	<u>-</u>	<u>-</u>	0%	N.D.	<u>-</u>
Subtotal	<u>36,091,387.62</u>	<u>36,375,188.72</u>	25%	3.75%	<u>12,389,448.99</u>
<b>Savings, checking and change funds</b>					
Savings accounts	525,645.32	525,645.32	0%	1.42%	603,065.85
Checking accounts (d)	1,409,896.44	1,409,896.44	1%	Allowance (a)	370,505.02
Transfer from custodian in transit	-	-	0%	0.00%	-
Petty cash/change funds	<u>7,600.00</u>	<u>7,600.00</u>	0%	0.00%	<u>5,600.00</u>
Subtotal	<u>1,943,141.76</u>	<u>1,943,141.76</u>	1%	N.D.	<u>979,170.87</u>
LAIF - Tax-exempt bond proceeds	27,784.51	27,784.51	0%	3.53%	27,148.83
Trustee-held assessment district funds	<u>448,589.26</u>	<u>448,589.26</u>	0%	3.53%	<u>355,241.73</u>
<b>Total cash and marketable securities</b>	<b><u>137,027,240.50</u></b>	<b><u>146,860,391.80</u></b>	<b>99%</b>		<b><u>127,915,650.62</u></b>
Assessment district bonds/loans	Not	711,993.00	0%	2.12%	711,993.00
Essential employee loan program (b).	Available	<u>309,230.38</u>	0%	2.27%	<u>329,644.17</u>
<b>Total</b>		<b>\$ <u>147,881,615.18</u></b>	<b>100%</b>		<b>\$ <u>128,957,287.79</u></b>

# More Reporting – Marketable Investment Inventory Supplements

## Custodian Statement With Transaction History

**City of Laguna Beach**  
Investment Portfolio Detail - Unaudited  
September 30, 2023

	Investment Type	Rating	Par Value	Fair Value (a)	Purchase Price	Premium (Discount)	Purchase or Dated	Maturity Date	Coupon Rate	Purchase Yield (b)	Current Yield (a)	Days to Maturity
(1)	State Investment Pool (LAIF) (a)	NR	\$ 4,973,016.92	\$ 4,973,016.92	\$ 4,973,016.92	\$ -		Today	3.53%	3.53%	3.53%	Today
(2)	LAIF Bond Proceeds (a)	NR	27,784.51	27,784.51	27,784.51	-		Today	3.53%	3.53%	3.53%	Today
(3)	United States Treasury Note	AA+	5,000,000.00	4,994,150.00	4,991,266.65	(8,733.35)	09/28/23	10/10/23	0.00%	5.34%	5.34%	10
(4)	Agency Federal Home Loan Bank	AA+	1,000,000.00	995,450.00	1,000,000.00	-	05/24/22	11/24/23	2.50%	2.50%	2.51%	55
(5)	Muni Arcadia Revenue Bond Pension Txb	AAA	500,000.00	496,080.00	500,000.00	-	11/12/20	12/01/23	0.83%	0.83%	0.84%	62
(6)	Muni St of Ca Dept of Water	AAA	1,000,000.00	991,490.00	978,900.00	(21,100.00)	03/11/22	12/01/23	0.26%	1.50%	0.26%	62
(7)	CD Citibank NA	NR	250,000.00	248,890.00	250,000.00	-	12/21/18	12/21/23	3.55%	3.55%	3.57%	82
(8)	Agency Federal Home Loan Bank	AA+	1,000,000.00	989,320.00	998,040.00	(1,960.00)	12/22/21	12/22/23	0.63%	0.72%	0.63%	83
(9)	Corp Apple	AA+	1,000,000.00	990,170.00	1,013,140.00	13,140.00	05/08/19	02/09/24	3.00%	2.69%	3.03%	132
(10)	Corp Home Depot	A	1,000,000.00	993,270.00	989,600.00	(10,400.00)	12/14/22	02/15/24	3.75%	4.67%	3.77%	138
(11)	Agency Federal Home Loan Bank	AA+	1,000,000.00	997,460.00	1,000,000.00	-	02/28/23	02/26/24	5.00%	5.00%	5.01%	149
(145)	Agency Federal Home Loan Bank	AA+	1,000,000.00	894,540.00	1,000,000.00	-	01/28/22	01/28/27	1.65%	1.65%	1.84%	1,216
(146)	Agency Federal Home Loan Bank	AA+	500,000.00	448,755.00	500,000.00	-	01/28/22	01/28/27	1.75%	1.75%	1.95%	1,216
(147)	Agency Federal Home Loan Bank	AA+	1,000,000.00	904,530.00	1,000,000.00	-	02/25/22	02/25/27	2.05%	2.05%	2.27%	1,244
(148)	Agency Federal Home Loan Bank Step	AA+	1,000,000.00	950,020.00	1,000,000.00	-	04/28/22	04/28/27	3.00%	3.00%	3.16%	1,306
(149)	Agency Federal Farm Credit Bank	AA+	1,000,000.00	980,230.00	1,000,000.00	-	12/20/22	12/20/27	5.33%	5.33%	5.44%	1,542
(150)	Agency Federal Home Loan Bank	AA+	1,000,000.00	973,920.00	1,000,000.00	-	05/30/23	05/24/28	5.15%	5.15%	5.29%	1,698
(151)	<b>Total Marketable Securities</b>		<b>\$ 144,531,801.43</b>	<b>\$ 134,635,509.48</b>	<b>\$ 144,468,660.78</b>	<b>\$ (63,140.65)</b>		<b>Averages</b>		<b>1.92%</b>	<b>1.96%</b>	<b>1.9</b>
								<b>2 Year Treasury Bill</b>		<b>5.03%</b>		<b> yrs</b>
	Per General Ledger											
(152)	<b>Savings, checking and change funds</b>		\$ 1,943,141.76	\$ 1,943,141.76	\$ 1,943,141.76							
(153)	<b>Trustee-held investments</b>		448,589.26	448,589.26	448,589.26							
(154)	<b>Assessment district and essential employee bonds/loans</b>		Not Available	Not Available	1,021,223.38							
(155)	<b>Total</b>				<b>\$ 147,881,615.18</b>							

(a) Provided by US Bank at month end excluding LAIF and non-negotiable CD.  
(b) Provided by Bloomberg at the time of purchase.



**City of Laguna Beach**  
**Policy Compliance**

**October 2023**

# Policy Compliance

Committee requested monthly reporting on compliance with Investment Policy.

Annually examined by outside auditor during ACFR audit.

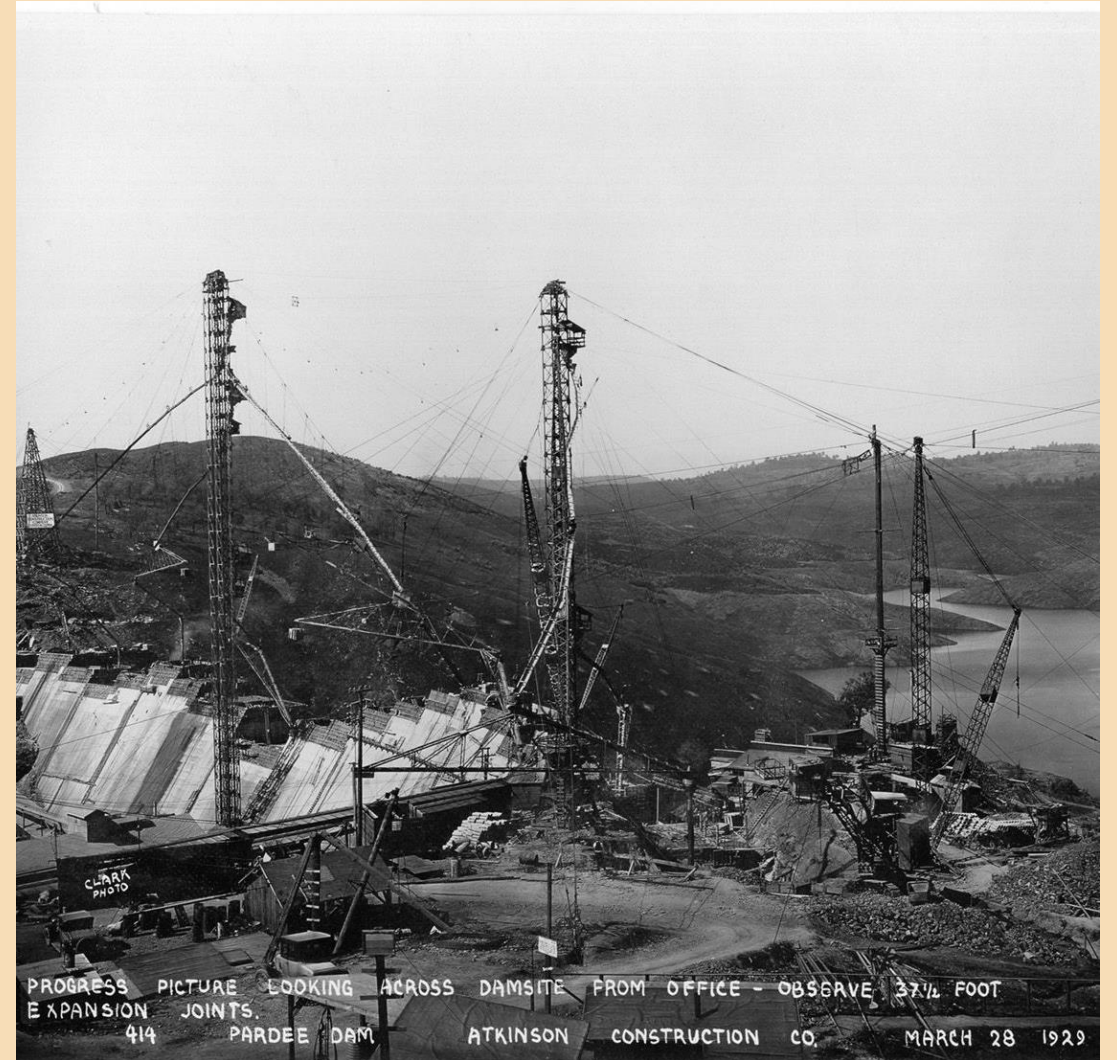
Annually Agreed Upon Procedures performed by outside auditor to determine compliance with the Investment Policy.

October 31, 2023				
Status		Policy Name	Rules	Comments
Compliant		Annual Investment Policy	21.0	
Compliant		Annual Resolution Delegating Authority	5.0	
Compliant		Annual approval of the Deputy Treasurer With Investment Authorization	5.0	
Compliant		Maintain a list of authorized broker/dealers	7.0	
Compliant		Annual review of broker/dealer financial condition and registrations	7.0	
Compliant		Internal Control Annual Review for Compliance with Investment Policy	16.0	No Exceptions 2022
Compliant		Socially responsible investing	18.0	

Status	Rule Basis	Rule Requirement	Rule Limit	Comments
Compliant	Diversification	Treasury Securities	100%	
Compliant	Diversification	US Government Agency Securities	100%	
Compliant	Diversification	Certificates of Deposit	25%	
Compliant	Diversification	Certificates of Deposit FDIC Insured	100%	
Compliant	Diversification	Bankers Acceptances	25%	
Compliant	Safety	Bankers Acceptances - not greater than 180 days and issued by one of the 10 largest banks	100%	
Compliant	Diversification	Commercial Paper	25%	
Compliant	Diversification	Commercial Paper Issuer Concentration	3%	
Compliant	Safety	Commercial Paper rated A-1 P-1 by at least 2 NASROs	100%	
Compliant	Diversification	Bank Deposits	25%	
Compliant	Diversification	Bank Deposits FDIC Insured or Collateriazed	100%	
Compliant	Diversification	Medium-term Corporate Notes	25%	
Compliant	Diversification	Medium-term Corporate Notes Issuer Concentration	3%	
Compliant	Safety	Medium-term Corporate Notes rated A or better by at least 1 NRSRO	100%	3M rated A by 2 BBB by 1
Compliant	Diversification	Municipal Notes or Bonds Rated A or A-1/P-1/F1 or better by a NRSRO	25%	
Compliant	Diversification	Municipal Notes or Bonds Issuer Concentration	5%	
Compliant	Safety	Municipal Notes or Bonds Issuer Concentration rated A or better a NRSRO	100%	
Compliant	Diversification	Investment Pools - Local Agency Investment Fund	100%	
Compliant	Diversification	Supranational Securities	5%	
Compliant	Safety	Supranational Securities rated AA or better by 2 NRSRO	100%	
Compliant	Maximum Maturity	Excludes securities not specifically authorized by the City Council	5 Years	

# East Bay Municipal Utility District (EBMUD)

- Celebrating 100 Years in the East Bay
- Formed in 1923 under the Municipal Utility District Act
- Governed by seven-member Board of Directors
- Headquartered in Oakland, CA



# EBMUD Water System

- One of the largest retail water systems in U.S.
- Secure and diverse portfolio of high-quality water sources
- Serves 1.4 million people over 332 sq. mi.



# EBMUD Wastewater System

- Established in 1944
- Provides regional treatment
- Collection provided by local cities/agencies
- Serves 740,000 people over 88 sq mi.





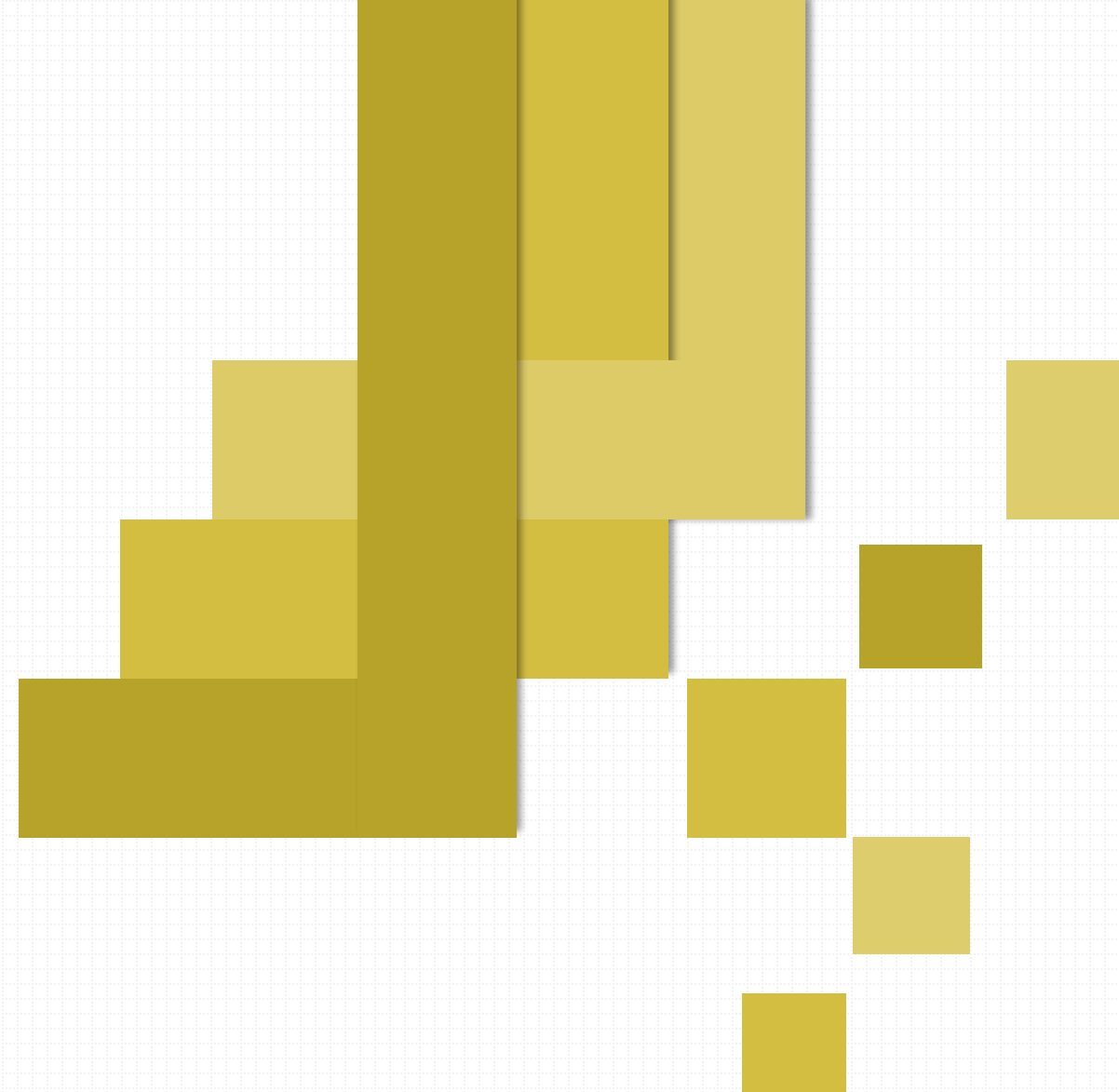
# EBMUD investment portfolio

- Portfolio fluctuates between \$500 and \$800 million
- Primarily investing Water and Wastewater funds
- Also investing for several JPAs
- Retirement Plan separate from this investment portfolio
  - Retirement portfolio is \$2 billion+



# Investment staff

- Finance Director has oversight under Board-adopted Investment Policy
- Responsibility designated to Treasury Division
- Treasury Manager and one Principal Management Analyst focused on investments
- Day-to-day investment management essentially part-time duty of two employees
- Support from Accounting division



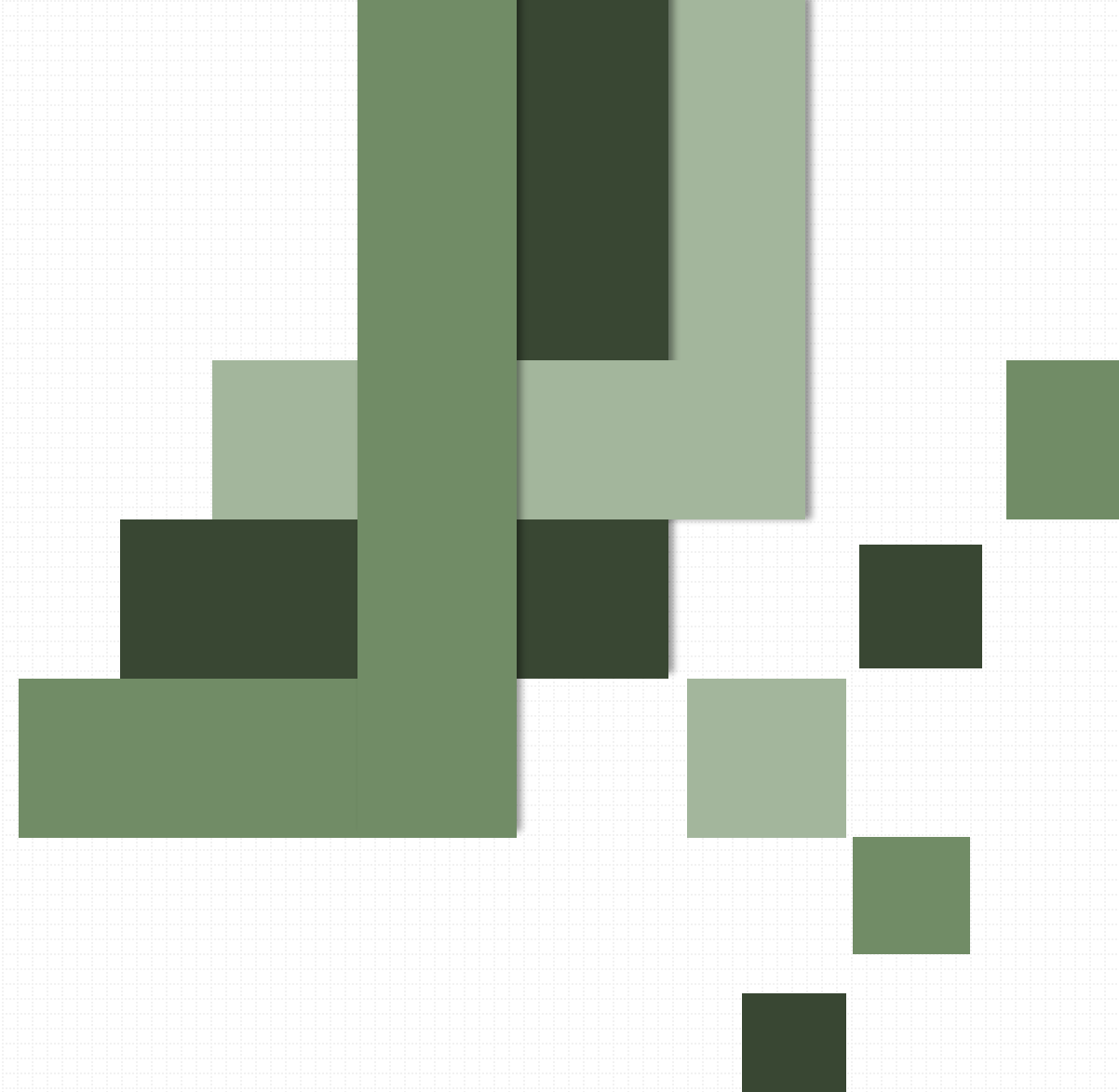


# Investing “in house”

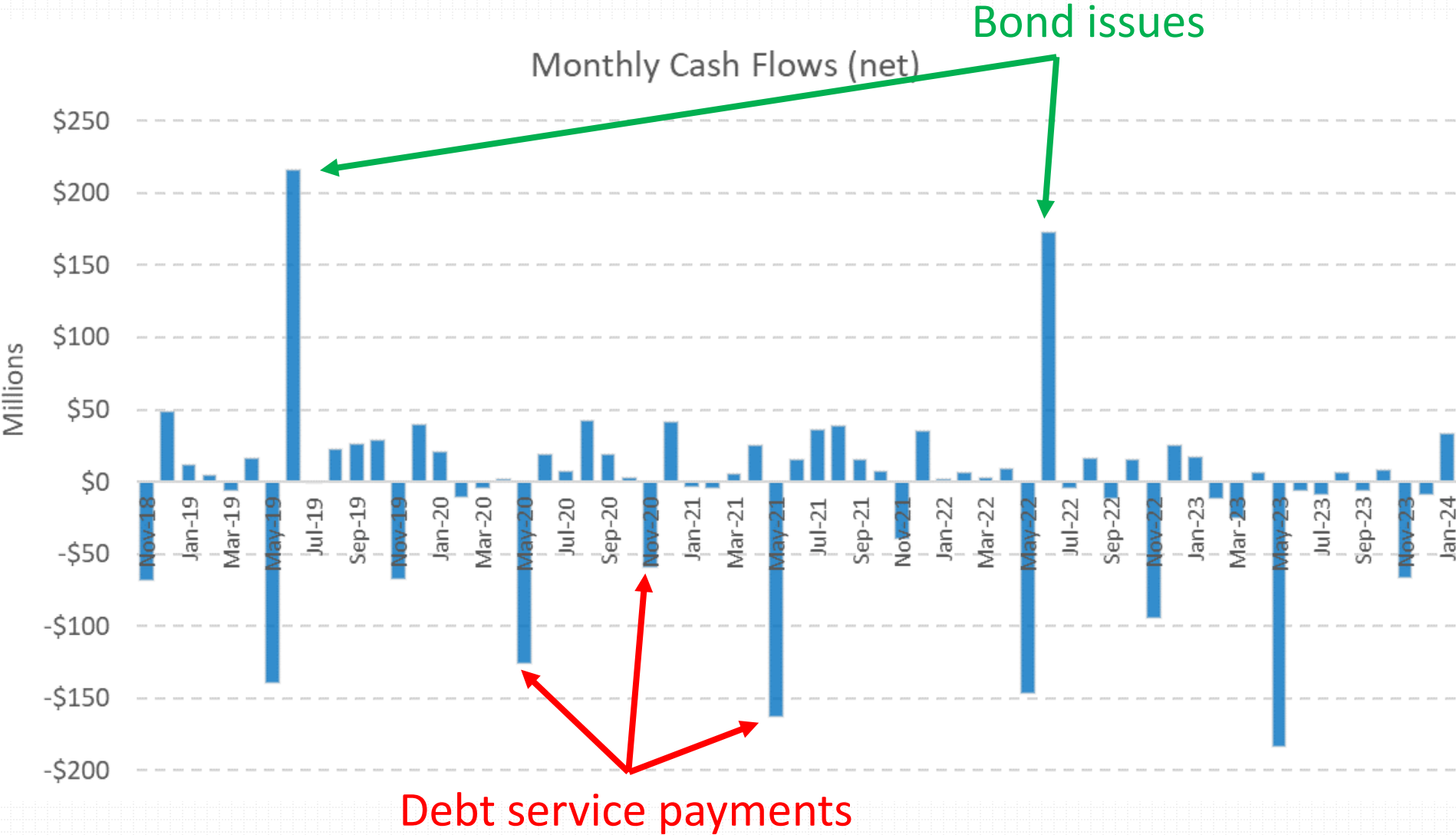
- EBMUD invests “in house” (no investment advisor)
- Allows development of in-house expertise
- Staff focuses on EBMUD’s unique cash flow needs
- Portfolio big enough to justify *some* tools
  - Bloomberg
  - Tracker
- Considerations of investing in house
  - Achieving diversification across asset classes can be difficult
  - Ongoing education and training required

# Cash flow needs of a utility

- Cash flow needs are relatively predictable for water and wastewater utilities
- Rate revenue comes in daily with some seasonality
- Operating expenses are stable
  - Payroll is the largest operating outflow every two weeks
- Debt service is largest expense
  - We know the exact amount and timing well in advance
- Capital spending is a source of variability



# Predictable cash flows



# Tool development: daily cash flow spreadsheet

	Wells Fargo		Investments			Liquidity	Wells Fargo
Date	Opening Balance	Net expenses	Maturing (Existing)	Maturing (Planned)	Purchases	Net Activity	Ending Balance
6/13/2023	34,959,636	3,401,723	-	-	-	-	38,361,563
6/14/2023	38,361,563	1,717,187	-	-	-	-	40,078,750
6/15/2023	40,078,750	475,126	-	-	-	-	40,553,875
6/16/2023	40,553,875	(2,385,104)	-	-	-	-	38,168,771
6/19/2023	38,168,771	-	-	-	-	-	38,168,771
6/20/2023	38,168,771	(5,342,543)	-	-	-	-	32,826,228
6/21/2023	32,826,228	(1,689,151)	-	-	-	-	31,137,077
6/22/2023	31,137,077	5,777,073	-	-	-	-	36,914,151
6/23/2023	36,914,151	(14,070,048)	-	-	-	9,500,000	32,344,102
6/26/2023	32,344,102	(788,196)	-	-	-	-	31,555,906
6/27/2023	31,555,906	1,424,126	-	-	-	-	32,980,033
6/28/2023	32,980,033	(6,175,890)	-	-	-	-	26,804,142
6/29/2023	26,804,142	1,824,685	-	-	-	-	28,628,827
6/30/2023	28,628,827	7,164,347	20,000,000	-	-	-	55,793,174

## EBMUD investment framework

- Commercial bank for daily cashflows in and out
- Overnight liquidity for additional cushion and unexpected needs
- Middle tier reserves with some duration
- Immunization investments for largest cashflow needs (debt service)

## Short term portion of portfolio

- Commercial bank balance (swept to a MMF)
- Additional overnight liquidity buckets:
  - LAIF
  - CAMP
  - CalTRUST
  - Money Market Funds through portal
- Overall target based on % of budget
- Specific product balances based on yields and diversification

## Spotlight: Money Market Fund Portal

- Prior to 2021, three separate money MMF accounts
- Challenges:
  - Authorized user management
  - Many logins
  - Multiple accounts to reconcile
  - Varying withdrawal rules
- Explored various platforms over the years
- In 2022, learned EBMUD's commercial bank offered similar platform (Cachematrix)
- MMF activity now consolidated into one platform



## Spotlight: Money Market Fund Sweep

- For years, earned low commercial bank interest rate on bank balance
- When all rates were near zero, impact was limited
- When short term rates rose, worked with bank to establish money market fund sweep
- Significantly increased investment earnings on commercial bank balance
- Took pressure off manual transfers between bank and MMFs

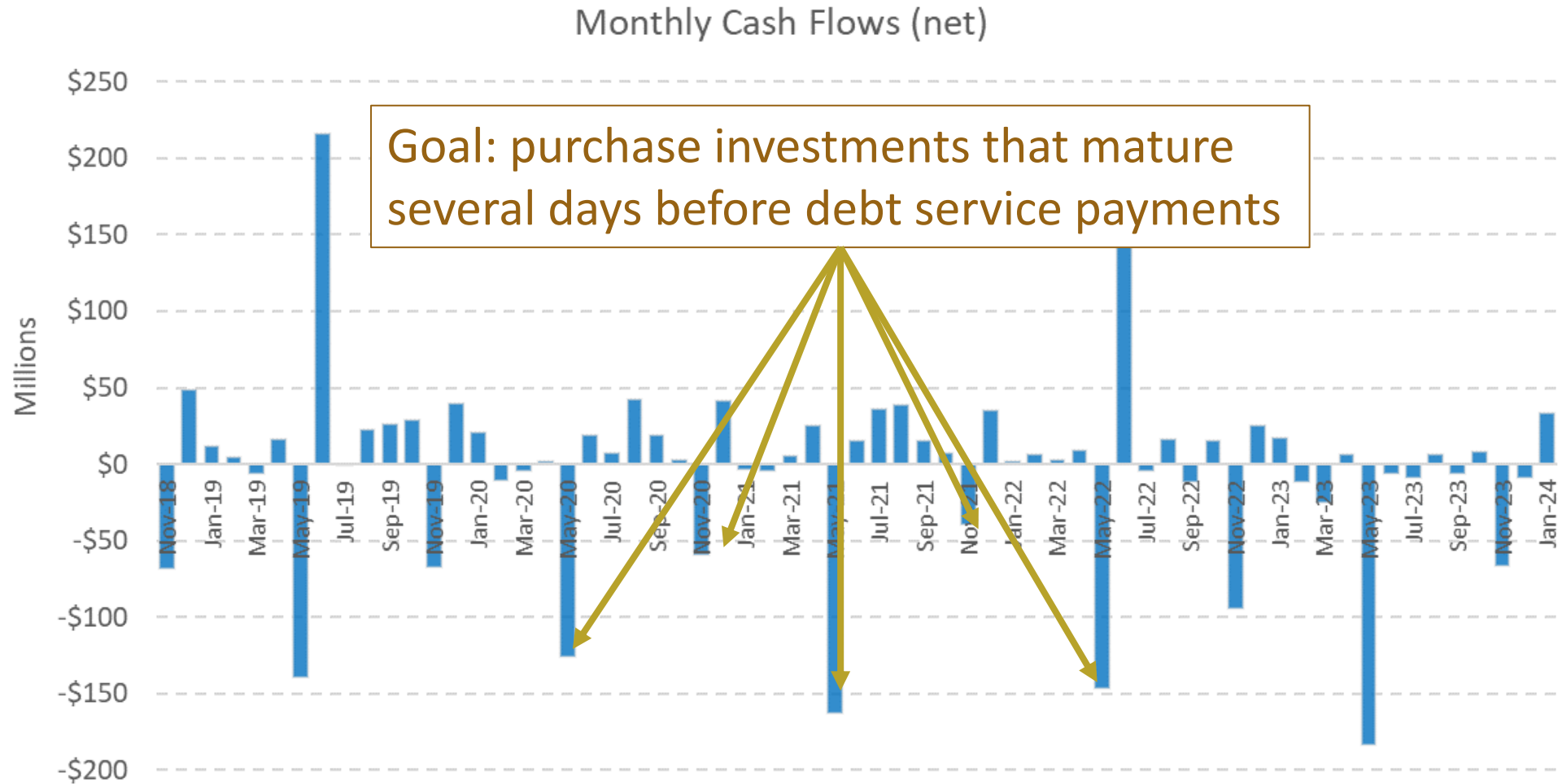
Middle tier:  
“Break glass in  
case of  
emergency”

- Middle tier of portfolio
  - Not designated for immunization (debt service)
  - And **most likely** not needed for expected or unexpected expenses
- Currently invested in a government ladder
- Exploring additional options for this middle tier
  - Multiple tiers
  - Floating NAV fund
  - Better risk measures

## Floating net asset value pools

- In May 2023, EBMUD added “floating net asset value” language to Investment Policy
- CalTRUST Short and Medium Term Funds are now options
- Still exploring this asset type
  - Time horizon
  - Share price fluctuation
  - Other risks?
  - Explaining to stakeholders
  - Accounting system considerations
  - Is now a good time to enter a floating NAV fund?

# Immunization tier



## Reporting to the Board

- Monthly Investment Transaction Report submitted to Board and Finance Committee
- Quarterly Investment Report submitted to Finance Committee
- Short presentation given at Finance Committee for both reports
- Future initiative: expand information in these reports

# Example: Monthly Investment Transaction Report



**EAST BAY MUNICIPAL UTILITY DISTRICT**  
**Monthly Investment Transactions Summary**  
**October 2023**

Portfolio	Beginning Balance*	Monthly Net Transaction Activity	Monthly Interest Activity	Ending Balance
001 - Water System Consolidated	423,480,531.80	-	372,046.86	423,852,578.66
007 - Wastewater Consolidated	82,646,413.59	-	87,575.45	82,733,989.04
049 - Ferc Partnership	2,050,976.85	-	18,500.10	2,069,476.95
009 - BACWA	2,320,270.56	-	20,931.05	2,341,201.61
015 - DERWA	1,025,489.56	-	9,251.32	1,034,740.88
002 - FRWA	1,025,489.56	-	9,251.32	1,034,740.88
014 - IICP	154,336.93	-	1,392.02	155,728.95
010 - UMRWA	65,631.59	-	591.86	66,223.45
003 - Employees Retirement	4,728,426.70	10,589,000.00	92,171.18	15,409,597.88
099 - Wells Fargo**	32,002,573.85	(2,981,170.67)	25,000.00	29,046,403.18
<b>Total</b>	<b>549,500,140.99</b>	<b>7,607,829.33</b>	<b>636,711.16</b>	<b>557,744,681.48</b>

# Spotlight: CMTA Certification

- Received CMTA Certification in 2019
- Recertified in 2023
- Helpful process to align our Investment Policy with best practices
- Provides comfort to Board that our policy is reviewed
- We plan to continue to recertify regularly





# Future investment initiatives

- Explore floating NAV funds
- Expanded investment tiers
- Pooling investments
- Enhanced investment reporting
- Benchmarks



# San Diego County

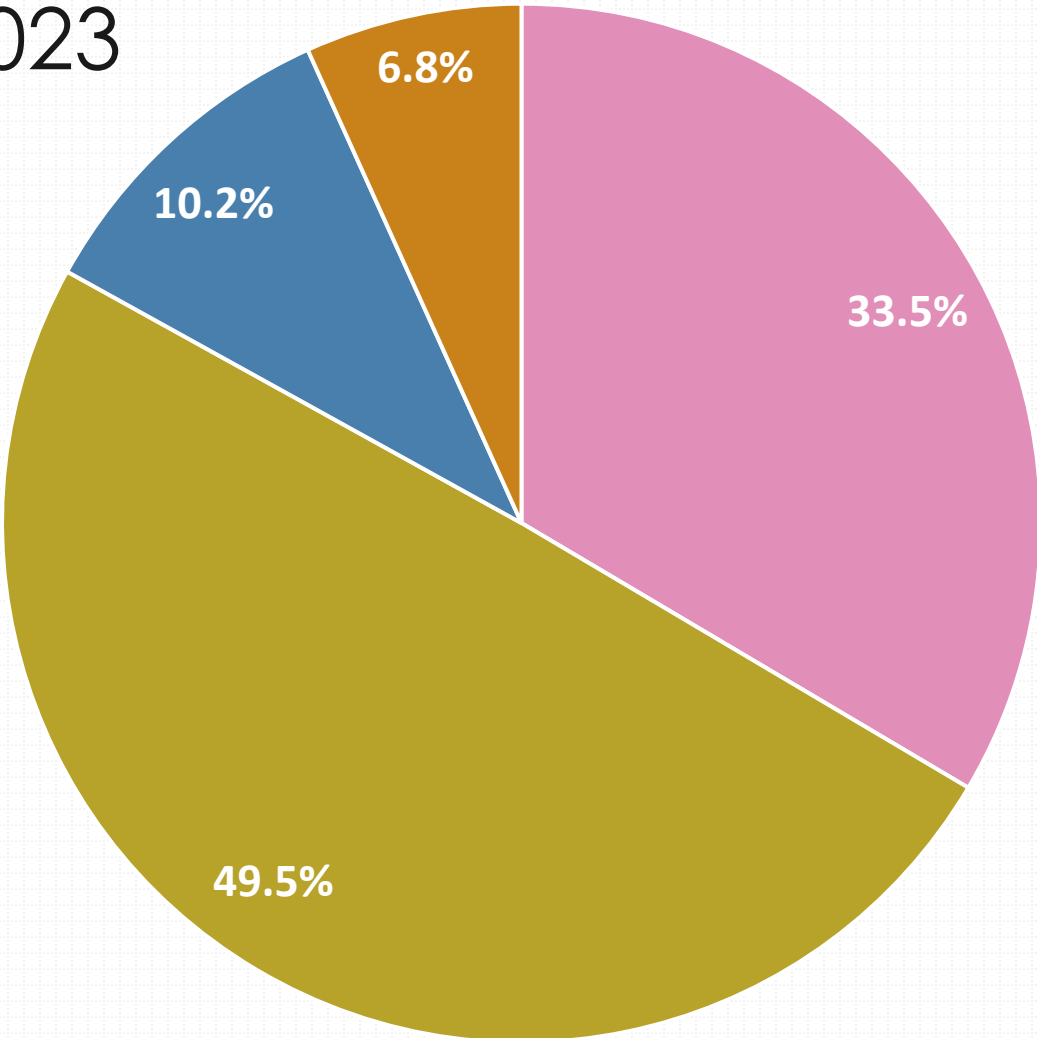
- 3.3 Million Residents
- \$17.6 Billion Portfolio
- \$8.1 Billion Property Taxes
- 1,013,632 Parcels - Secured Tax Collections



# SAN DIEGO COUNTY INVESTMENT POOL

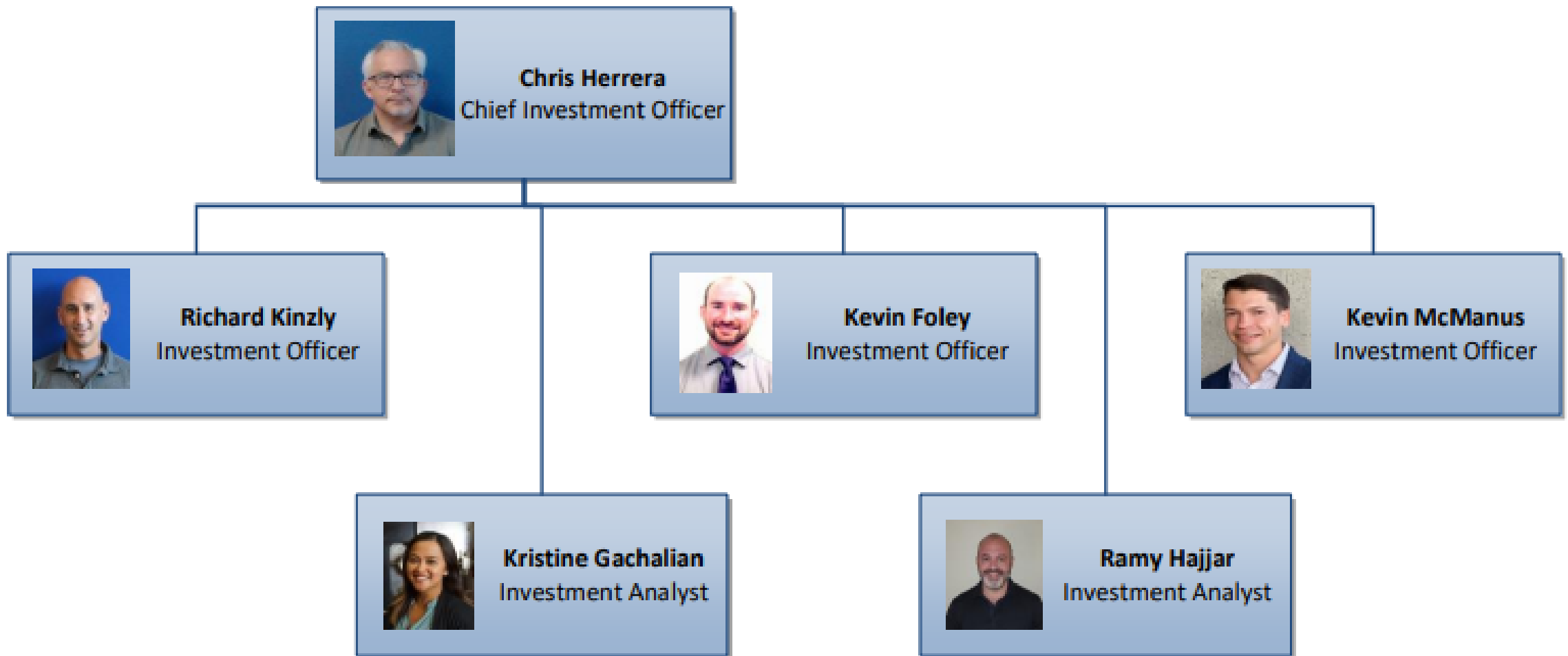
\$17.6 Billion December of 2023

- 42 K-12 School Districts
- County Tax Collection
- 5 Community Colleges
- Voluntary Participants

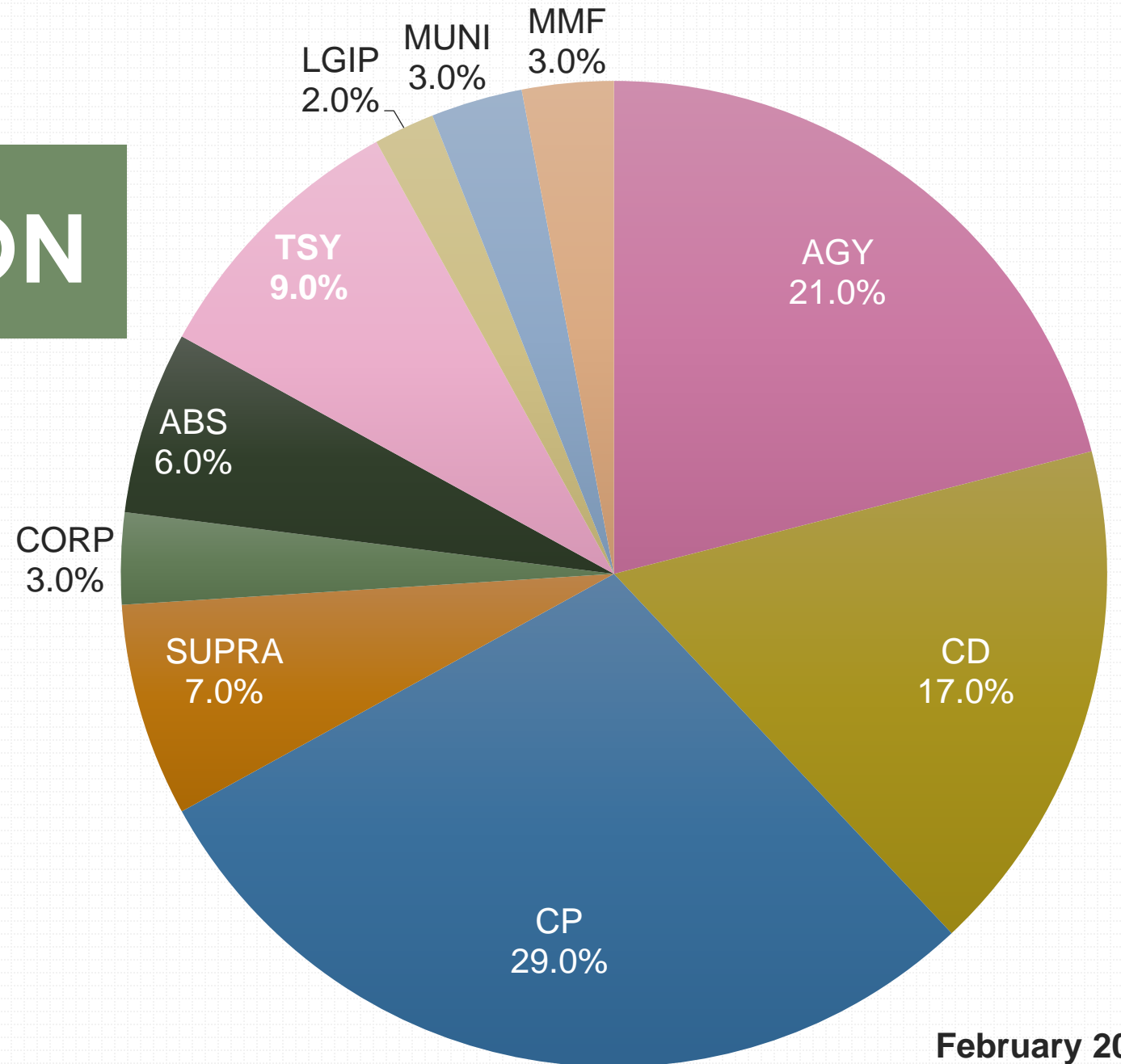


# Treasurer-Tax Collector Organizational Chart

## Treasury & Investments



# ASSET ALLOCATION



February 2024

**What's a  
day like at  
San Diego  
County?**



# DAILY PROCESS

- Determine opening cash position
  - Current Bank Balance(s)
  - Investment Maturities/Purchases
  - Actual Deposits and Disbursements eg:
    - State Apportionment Receipts, Bond Payments
- Account for additional transactions yet to occur
  - Wires out & Controlled Disbursements
  - Expected Deposits

# Cashflow: Actual

	2/8/2024	2/9/2024	2/12/2024	2/13/2024
CREDITS:	Thursday	Friday	Monday	Tuesday
<b>JPM - Opening Ledger</b>	47,124,573.34	42,906,959.25	37,189,551.87	35,120,807.86
Portfolio Maturities & Interest	20,000,000.00	20,000,000.00	639,375.00	15,187,500.00
Portfolio Sales				
Dedicated Portfolio Maturities				
<b>JPM - Credits</b>	10,960,653.24	16,252,271.91	18,970,555.06	4,330,271.05
Miscellaneous	225.00	225.00	225.00	225.00
JP Lock Box		0.00		102,214,428.00
Fidelity Govt MM Sales		9,000,000.00	67,000,000.00	
Morgan Stanley Govt MM Sales				
CAMP - (pfm)				
<b>Total Credits</b>	30,960,878.24	45,252,496.91	86,610,155.06	121,732,424.05
<b>Debits:</b>				
<b>JPM Debits</b>	22,837,359.58	48,675,425.08	92,318,653.72	2,911,073.75
<b>JPM Debits - Pending/Float</b>	4,000,697.81	12,401,916.34	6,752,699.02	3,686,508.01
Controlled Disbursements - Warr	21,575,121.48	17,451,783.69	15,111,522.01	25,163,475.87
Portfolio Purchases				115,000,000.00
Dedicated Portfolio Purchases				
Fidelity Govt MM Purchases	20,000,000.00			
Morgan Stanley MM Purchases				
CAMP - (pfm)				
<b>Total Debits</b>	68,413,179	78,529,125	114,182,875	146,761,057.63
<b>JPM Ending Balance</b>	9,672,272.71	9,630,331.05	9,616,832.18	10,092,174.28
Target Ending Bank Balance	10,000,000	10,000,000	10,000,000	10,000,000.00
<b>Available to invest</b>	<b>(327,727)</b>	<b>(369,668.95)</b>	<b>(383,168)</b>	<b>92,174.28</b>
<b>\$500MM Daily Liquidity Target</b>	<b>574,054,936</b>	<b>565,054,936</b>	<b>498,054,936</b>	<b>498,054,936</b>
Blackrock FedFund Balance	500,000	500,000	500,000	500,000
Fidelity Govt Fund Balance	249,000,000	240,000,000	173,000,000	173,000,000
Morgan Stanley Govt Fund Balance	74,000,000	74,000,000	74,000,000	74,000,000
CAMP	250,554,936	250,554,936	250,554,936	250,554,936
Total Money Markets	574,054,936	565,054,936	498,054,936	498,054,936

# DAILY PROCESS

- Make sure you hit your daily Liquidity Requirements/Targets
- Daily Liquidity ~\$500 million dollars
  - \$300 million in overnight purchases (MMF/JPA/CP)
  - \$200 million in MMF (2pm availability)
  - \$10 million in Bank – Sweep MMF/ECR
- Invest remaining available funds
  - Use the Cashflow Forecast to determine target maturities
  - Determine which product(s) best suited to fill maturities



# Cashflow Forecast

Cash Flow:	22-Feb-24	23-Feb-24	26-Feb-24	27-Feb-24	28-Feb-24	29-Feb-24
<b>Beginning Cash</b>	8,970	517,970	552,528	581,007	616,088	649,271
<b>INFLOWS:</b>						LEAP DAY
Maturities	0	50,000	15,455	0	65,000	50,000
Sales/Calls						
O/N Liquidity	500,000					
Interest	0	558	524	81	347	879
Taxes	8,000	10,000	12,000	16,000	9,000	8,000
Schools	5,000	2,000	2,000	5,000	5,000	285,000
County	35,000	3,000	15,000	63,000	5,000	3,000
Retirement	0				0	0
Voluntaries / Other/Late Float	10,000	10,000	10,000	10,000	10,000	10,000
<b>Mat / Sales Outside Pool</b>						
	558,000	75,558	54,979	94,081	94,347	356,879
<b>OUTFLOWS:</b>						
School Warrants	9,000	11,000	9,000	10,000	9,000	5,000
County Warrants	3,000	9,000	5,000	6,000	1,800	2,000
School Other	20,000	12,000	8,000	8,000	8,000	325,000
County Other	5,000	9,000	4,500	25,000	29,000	25,000
Retirement	0			10,000	0	0
Voluntaries	12,000				13,364	
Pool Purchases > 90D						
Pool Purchases < 91D						
<b>Purch / Wires Outside Pool</b>						
	49,000	41,000	26,500	59,000	61,164	357,000
<b>Total Net Cash Flow</b>	<b>509,000</b>	<b>34,558</b>	<b>28,479</b>	<b>35,081</b>	<b>33,183</b>	<b>-121</b>
Net Cash Only	9,000	-15,443	13,024	35,081	-31,817	-50,121
<b>\$500MM Target (O/N)</b>						
<b>Anticipated Ending O/N</b>	<b>517,970</b>	<b>552,528</b>	<b>581,007</b>	<b>616,088</b>	<b>649,271</b>	<b>649,151</b>
Actual Ending Position	517,970	552,528	581,007	616,088	649,271	649,151
<b>Projected Pool Balance</b>	<b>15,387,736</b>	<b>15,372,293</b>	<b>15,385,317</b>	<b>15,420,398</b>	<b>15,388,582</b>	<b>15,338,461</b>
<b>Projected Maturities &lt;= 90days</b>	<b>3,130,184</b>	<b>3,114,741</b>	<b>3,212,765</b>	<b>3,247,846</b>	<b>3,216,030</b>	<b>3,165,909</b>
<b>Projected % 90 days and in</b>	<b>20.34%</b>	<b>20.26%</b>	<b>20.88%</b>	<b>21.06%</b>	<b>20.90%</b>	<b>20.64%</b>

# Cashflow Details & Development

## Cashflow Model

- 2-year daily projections, 5-year monthly
- Provides the data that determines liquidity needs

## Communication

- Regularly scheduled communication with key stake holders
- Maintain an accurate forecast

## Dynamic

- Cashflow model is updated daily for actual numbers and revised forward projections
- API linking to Bloomberg for auto updates

## Adaptable

- Continual improvements and automation whenever possible
- Adjustable for further granularity when needed

# Portfolio Management

## Maturity Policy

- Min 35% maturing within 1 year
- Min 15% maturing within 90 days
- Max effective duration of 2.0 years

## Exposure Guidelines

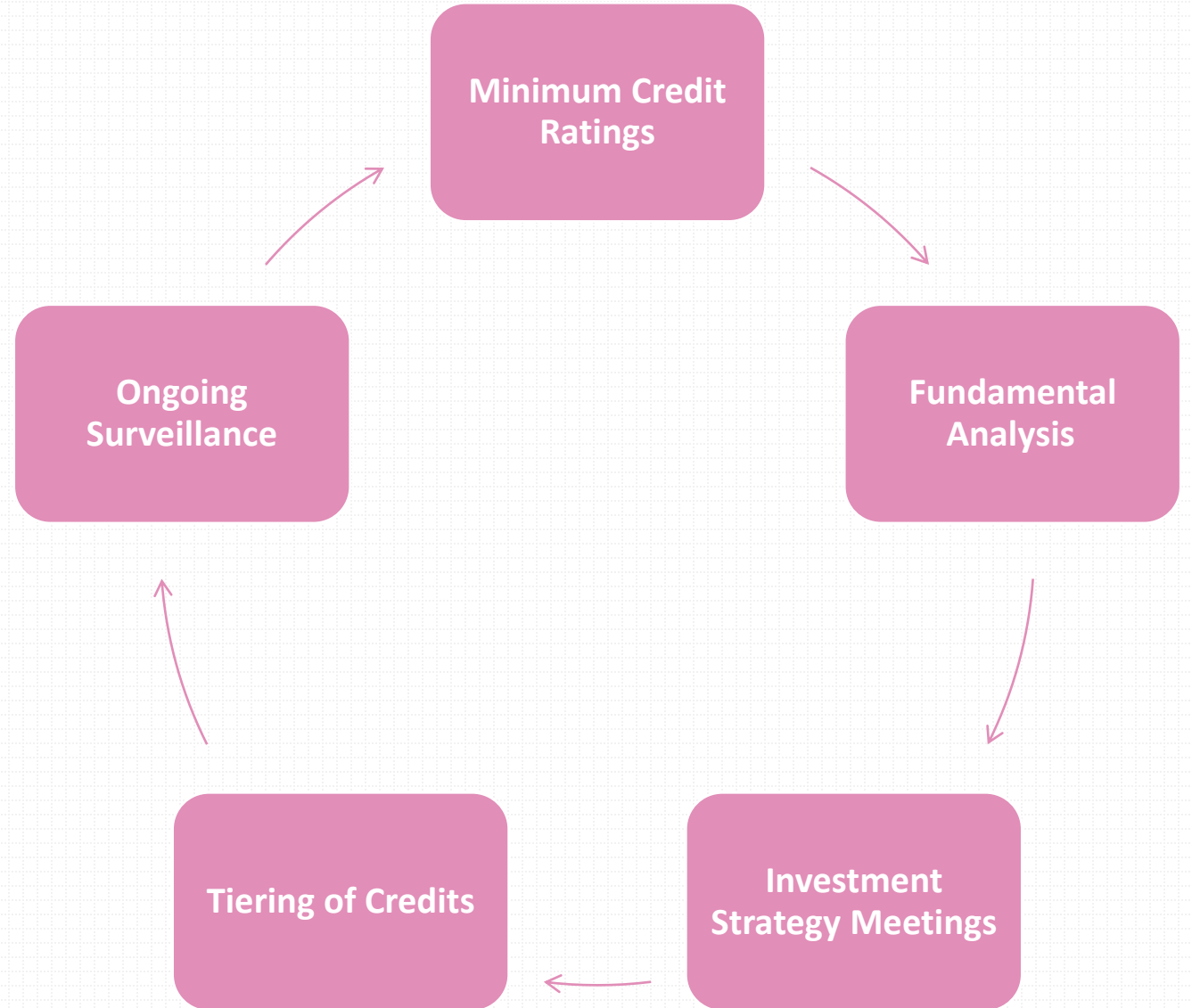
- Max exposure by security type
- Max maturity limits by security type
- Max exposure per issuer
- Min credit ratings by security type

## Ratings Agency Credit Matrix

- Send Monthly to Fitch
- Manage to AAA

# CREDIT PROCESS

- Investment Strategy Meetings
  - Weekly meetings to discuss pool
  - Ad hoc meetings as needed
- Tools
  - Rating Agency Research
  - Company filings/presentations
  - Industry Conferences
  - Sell-side research
  - Bloomberg
  - CDS spreads



# Investment Process

## Cashflow Analysis

- Dynamic cash flow model
- Regular communication with large participants
- Require a 2-day redemption notification
- Target \$500 million of daily liquidity

## Market Analysis

- Economic and market analysis
- Potential industry and/or legislative issues

## Investment Strategy & Risk Management

- Weekly investment strategy meeting
- Portfolio analytics, including scenario & sensitivity analysis

## Credit Analysis

- Fundamental analysis to determine credit tiers
- Monitor existing credits on an ongoing basis

## Compliance

- California Government Code & Investment Policy
- Rating Agency's Credit Matrix
- Real-Time compliance monitoring via Bloomberg AIM

## Execution

- Direct issuer relationships
- Multiple Counterparty check to ensure best execution
- Automate trade execution and compliance checks reduce errors

# SYSTEMS



# Excel

Fed Funds   FOMC »		Fed O/N Repo		US T-Bill		USD Deposit Rates		Rev Repo (Bid/Ask)								
FDFD	5.3100	5.3300	TGCR	5.30	4W	5.39	5.28	5.28	O/N	5.3109	5.4141	O/N	5.34	5.30		
OBFR01		5.31	BGCR	5.30	2M	5.40	5.27	5.27	1W	5.3033	5.4138	1W	5.37	5.33		
Commercial Paper			AFX O/N Rate			6M			2W			2W				
30D		5.310	AMERIBOR			1Y			1M			1M				
90D		5.320	5.43			4.70			5.38			5.34				
Dow Jones		S&P 500 E-Mini Future		NASDAQ Composite Index		CRB Commodity Index										
DJIA	38563.80	-64.19	SPX Fut	4983.50	-8.00	CCMP	15630.79	-144.86	CRB		270.76		-1.83			
US Bonds   FIT »		Key Rates		SOFR OIS Swaps		10Y Note Future		Funds Future		Fed Repo						
T 4 1/4	01/31/26	4.610	99-10 5/8	99-10 3/4	+ 00 1/8	3Y	4.2198	CBT	109-27+	- 02+	FEB	94.670	G/C ON	5.33		
T 4 1/8	02/15/27	4.390	99-08 1/4	99-08+	+ 00	5Y	4.0064	Commodities		30Y MBS   BBTM »						
T 4	01/31/29	4.256	98-27+	98-27 3/4	- 00+	10Y	3.9241	NYM WTI	77.09	+0.05	FNCL 5	96-28	97-01	+ 00		
T 4	01/31/31	4.289	98-08+	98-09	- 01	30Y	3.7340	GOLD	2024.97	+0.56	G2SF 5	97-18	97-21	+ 00		
T 4	02/15/34	4.285	97-22	97-22+	- 02+									Current Coupon		
T 4 3/4	11/15/43	4.574	102-07	102-08+	- 03+									5.833		
T 4 1/4	02/15/54	4.458	96-17+	96-18+	- 05											
Spot FX   FXC »		Key Rates		SOFR OIS Swaps		10Y Note Future		Funds Future		Fed Repo						
JPY	150.0500	Prime	8.50	3Y	4.2198	CBT	109-27+	- 02+	FEB	94.670	G/C ON	5.33				
EUR	1.0807	BLR	7.25	5Y	4.0064	Commodities		30Y MBS   BBTM »								
GBP	1.2623	FDTR	5.50	10Y	3.9241	NYM WTI	77.09	+0.05	FNCL 5	96-28	97-01	+ 00				
CAD	1.3527	Discount	5.50	30Y	3.7340	GOLD	2024.97	+0.56	G2SF 5	97-18	97-21	+ 00				
Economic Releases   ECO »																
	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised				
1)	02/20	05:30	US				Philadelphia Fed Non-Manufacturing Activity	Feb	--	-8.8	-3.7	--				
2)	02/20	07:00	US				Leading Index	Jan	-0.3%	-0.4%	-0.1%	-0.2%				
3)	02/21	04:00	US				MBA Mortgage Applications	Feb 16	--	--	-2.3%	--				
4)	02/21	11:00	US				FOMC Meeting Minutes	Jan 21	--	--	--	--				

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# PRIVATE PASSPORT

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# Investment Policy Compliance Report

## San Diego County Investment Pool Compliance Matrix as of February 16, 2024

Parameter	Details	Actual	Limit	Variance	Available	Compliant*
Duration To Worst	Not greater than 2.0	1.03	2.00	0.97		Yes
LGIPs (JPAs)	Not greater than 5%	1.6%	5.0%	3.4%	\$ 526.1	Yes
Money Market Fund	Not greater than 20%	2.3%	20%	17.7%	\$ 2,758.6	Yes
Commercial Paper (CP)	Not greater than 40%	29.0%	40%	11.0%	\$ 1,703.9	Yes
Negotiable CDs (NCD)	Not greater than 30%	17.4%	30%	12.6%	\$ 1,967.7	Yes
Corporates	Not greater than 30%	2.7%	30%	27.3%	\$ 4,247.4	Yes
Supranational	Not greater than 30%	7.1%	30%	22.9%	\$ 3,557.1	Yes
Agency	Not greater than 75%	21.0%	75%	54.0%	\$ 8,399.2	Yes

Maturity Parameters	Details	Actual		Minimum	Variance	Available to Invest Longer	Compliant
		%	Total Book \$ Millions				
Less than 90 Days	Must have at least 15%	22.2%	\$ 3,455.35	15%	7.2%	\$ 1,122.0	Yes
Less than 1 Year	Must have at least 35%	61.4%	\$ 9,555.03	35%	26.4%	\$ 4,110.6	Yes

Credit Exposure	Highest Exposure	Limit	Variance	Available	Compliant
Total Issuer Exposure in CP and NCDs	4.9%	10%	5.1%		Yes
Total Issuer Exposure in Corporates	2.0%	5%	3.0%		Yes